

Message Text

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ACTION EA-14

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TAGS: EGEN, EFIN, RP

SUBJECT: NEW SOCIETY INCREASES TAX REVENUES

SUMMARY: PHILIPPINE GOVERNMENT HAS ANNOUNCED TAX COLLECTIONS UNDER NEW SOCIETY' S TAX AMNESTY PROGRAM WILL EXCEED 500 MILLION PESOS (\$75 MILLION). THIS AMOUNT REPRESENTS NEARLY 10 PERCENT OF THIS YEAR' S CENTRAL GOVERNMENT BUDGET AND REPORTEDLY IS MORE THAN TWICE AS MUCH AS GOVERNMENT ANTICIPATED COLLECTING. GOVERNMENT EXPECTS SEPARATE PROGRAM FOR TAX AMNESTY ON 1972 TAXES WILL FURTHER INCREASE REVENUES. IN ADDITION, PLANNED REPLACEMENT OF PHILIPPINE CURRENCY AND REQUIREMENT FOR STATEMENT OF HOLDINGS BY ALL PERSONS WITH MORE THAN 100,000 PESOS (\$15,000) IN ASSETS WILL MAINTAIN PRESSURE ON TAXPAYERS. END SUMMARY.

1. PRESIDENTIAL DECREES NO. 23 AND NO. 67 PROVIDE FOR AN AMNESTY TO TAXPAYERS WHO PAID BY APRIL 2 TAX OF 10 PERCENT ON PREVIOUSLY UNREPORTED INCOME FOR 1971 AND PRIOR YEARS. ACCORDING REPORTS FROM BUREAU OF INTERNAL REVENUE OFFICIALS MORE THAN 66,000 TAXPAYERS HAVE FILED AMNESTY RETURNS. COLLECTIONS REPORTED BY NATIONAL OFFICE AND SIX REGIONAL OFFICES EXCEED 450 MILLION PESOS.

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GOVERNMENT EXPECTS REMAINING 14 OFFICES TO REPORT WELL OVER 50 MILLION PESOS. COLLECTIONS REPORTED ARE WIDELY REGARDED AS IMPRESSIVE ACHIEVEMENT BY GOVERNMENT WITH NOTORIOUS TAX COLLECTION RECORD EVEN THOUGH POSSIBILITY OF SOME PUFFING OF FIGURES IS ACKNOWLEDGED.

2. POTENTIAL TAXPAYERS, MANY OF WHOM ARE CHINESE, CLEARLY FELT THREAT OF GOVERNMENT ACTION. MANY APPARENTLY TOOK POSITION THAT 10 PERCENT PAYMENT WAS REASONABLE PREMIUM FOR ASSURANCE THAT TAX OFFICIALS WOULD TAKE NO FURTHER CIVIL OR CRIMINAL ACTION REGARDING PAST RETURNS EVEN WHERE THESE RETURNS HAD BEEN CONTESTED BY AUTHORITIES. MOREOVER, AMNESTY PROGRAM ALSO PROVIDES SUBSTANTIAL PROMISE OF PROTECTING WEALTHY FROM EXACTIONS OF CORRUPT REVENUE OFFICIALS. GOVERNMENT IMPOSED PENALTY OF TWO YEARS FOR OFFICIALS WHO VIOLATE SECRECY OF HIDDEN WEALTH DECLARATIONS AND LATER RAISED IT TO FIVE YEARS.

3. SEPARATE TAX AMNESTY PROGRAM EXISTS FOR 1972 INCOME TAXES. UNDER THIS PROGRAM TAXPAYERS WHO PAY 40 PERCENT MORE TAX IN 1972 THAN IN 1971 WILL NOT HAVE THEIR RETURNS CHALLENGED. RETURNS FOR 1972 MUST BE FILED BY APRIL 15 AND GOVERNMENT EXPECTS SUBSTANTIAL INCREASE IN REVENUES FROM TAXPAYERS WILLING PAY 40 PERCENT ADDITIONAL TO AVOID SCRUTINY OF 1972 RETURNS.

4. GOVERNMENT HAS ALSO ANNOUNCED THAT ALL PHILIPPINE CURRENCY WILL BE REPLACED BY "NEW SOCIETY" CURRENCY DURING PERIOD JULY 1, 1973, TO DECEMBER 1. ALSO, GOVERNMENT IS REQUIRING ALL PERSONS WITH PROPERTY HOLDINGS IN EXCESS OF 100,000 PESOS (\$15,000) TO PROVIDE PRIOR TO SEPTEMBER 30 A SWORN INVENTORY OF THEIR TOTAL HOLDINGS. THE TWO MEASURES WILL MAKE CONCEALMENT OF WEALTH MORE DIFFICULT ALTHOUGH BY NO MEANS IMPOSSIBLE. BYROADE

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